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## Ecuador

## Grain and Feed

## Annual

## 2002

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### Report Highlights:

**Imports of wheat for MY2002/2003 (July-June) are forecasted at 460,000 MT. The U.S. market share for wheat remains strong, over 40 percent. The winter rice and corn harvest will be delayed this year due to the adverse weather conditions. Milled rice production is forecasted to reach 490,000 MT for the current marketing year. Corn imports are estimated at 240,000 MT for the MY 2001 and are forecasted at 180,000 MT for the MY 2002. U.S. market share for corn is strong with 70-80 percent.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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## TABLE -OF-CONTENTS

Executive Summary .....	1
<b>Wheat</b>	
Production .....	2
Consumption .....	2
Trade .....	3
Policy .....	4
<b>Milled Rice</b>	
Production .....	5
Consumption .....	6
Trade .....	6
Policy .....	7
<b>Corn</b>	
Production .....	8
Consumption .....	9
Trade .....	9
Policy .....	10

## **Executive Summary**

Imports of wheat for MY2002/2003 (July-June) are forecasted at 460,000 MT, virtually unchanged over the past marketing year of 450,000 MT. The U.S. market share remains strong over 40 percent. Suspension of USDA's Commodity Credit Corporation GSM-102 Credit Guarantee lines since 1998 has weakened the U.S. wheat position in Ecuador, where price rather than quality is the more dominant factor in wheat purchase decisions. In the wake of political decisions taken at the end of 2001, price for wheat flour was fixed at \$16.50 or less per 50 kg. bags, based on invoices presented by buyers for sales at the end of 2001.

The winter rice harvest will be delayed this year due to the adverse weather conditions, including drought in December/January and some flooding in February/March. Production is forecasted to reach 490,000 MT of milled rice for the current marketing year. Consumption is placed at 410, 000 MT. Colombia will continue to be a natural market for Ecuadorian rice, with exports to that market forecasted to reach 80,000 MT. If rainfall follows normal patterns, Ecuador will not need to import rice for the upcoming MY2002.

Ecuadorian corn imports are estimated at 240,000 MT for MY2001 and are forecasted at 180,000 MT for the MY2002. US market share is strong with 70-80 percent. Exports will remain stable, estimated to be 90,000 in MY2001 and forecast to reach 100,000 MT in MY2002, mainly to Colombia. The current corn production will probably be affected by the adverse weather conditions, drought in December/January and heavy rainfalls in February/March, year 2002. If the rainfall continues, Ecuador will be facing decreases in production and increased shortfalls of corn for poultry and shrimp industries. This would result in lower exports as well.

## Wheat

PSD Table						
Country	Ecuador					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	25	25	20	20	0	20
Beginning Stocks	100	116	100	91	82	83
Production	15	15	12	12	0	12
TOTAL Mkt. Yr. Imports	500	420	500	450	0	460
Jul-Jun Imports	500	420	500	450	0	460
Jul-Jun Import U.S.	172	180	0	200	0	200
TOTAL SUPPLY	615	551	612	553	82	555
TOTAL Mkt. Yr. Exports	30	30	30	20	0	20
Jul-Jun Exports	30	30	30	20	0	20
Feed Dom. Consumption	40	40	40	40	0	40
TOTAL Dom. Consumption	485	430	500	450	0	460
Ending Stocks	100	91	82	83	0	75
TOTAL DISTRIBUTION	615	551	612	553	0	555

## Production

Ecuador produces very little wheat; about 15,000 MT or less a year, or less than 4 percent of annual consumption. Most of the domestic wheat production is for home consumption with a tiny amount sold to local feed compounder. Wheat production in Ecuador is not profitable due to geographical and weather conditions which result in yields of between 600 and 700 kg per hectare. Wheat planted area is currently at 20,000 hectares and is likely to decline in the future.

## Consumption

Wheat consumption is increasing slowly in Ecuador, due primarily to a modest recovery of the purchasing power of population rather than gains in demand in the feed use sector. The use of wheat as an aglutinant for the shrimp feed formulation has been decreasing due to the decrease of shrimp production, in turn due to the presence of the white spot disease, for the last four or five years. Wheat consumption is forecast at 450,000 MT for MY2002/2003, virtually unchanged over the past three marketing years. Post forecasts consumption of 40,000 MT for feed wheat both for the shrimp and the poultry industries as a result of the increased prices of feed wheat compared with international corn prices.

## Trade

Ecuador's wheat imports are forecasted to increase slightly in MY2002/2003 to 460,000 metric tons from 450,000 metric tons in the previous market year. Post has revised downwards figures of wheat imports both for MY2000 and to MY2001 to 420,000 and 450,000 respectively, based on revised official data. Ecuador is a net importer country of wheat grain rather than wheat flour importer. For CY2001, Ecuador imported 151 MT of flour, and in the previous CY, only 280 MT, all originated in France. Imports of U.S. wheat in MY1999/2000 have been revised downward from 250,000 MT to 200,000 MT. However, the market share of U.S. wheat remains strong, over 40 percent. Pressure on US wheat is coming mainly from Canada as main competitor, enjoying a market share over 55 percent, Argentina and Australia are minor competitors in this market. Donations and concessional sales of wheat under PL 480 or Section 416 programs have compensated in a certain manner for the US market share. The suspension of USDA's GSM-102 Credit Guarantee Program since 1998 has weakened the U.S. wheat position in Ecuador where price rather than quality is the more dominant factor in wheat purchase decisions.

While no official data on border trade is available, Post believes that exports to Colombia and Peru have increased as a result of relative lower prices for wheat and wheat flour on the border due to the tariff reduction for wheat in Ecuador from 19 to 10 percent in July 2000 compared to higher internal prices in those countries. The size of this trade is estimated to be no more than 20,000 , since border sales have diminished over the past three or four years. Estimated exports in MY2001/2002 were revised to 20,000 metric tons.

Import Trade Matrix			
Country	Ecuador		
Commodity	Wheat		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	2000		2001
U.S.	185893	U.S.	166457
Others		Others	

Canada	254581	Canada	283039
Mexico	4813	Argentina	12560
		Australian	16814
Total for Others	259394		312413
Others not Listed	12		
Grand Total	445299		478870

## Policy

Bread, noodles and pasta are popular foodstuffs in Ecuador; thus, government monitors these prices very closely in order to control inflation. Ecuador's inflation was at 22.4 percent by December 2001. The government, intending to dampen the January 2002 price hikes, has used political pressure to limit wheat flour prices.

Prices of bread and cereals increased 3.1 percent in January 2002, one of the highest rate increases for foodstuffs in one month, which is high compared to the annual price increase of these products of 5.3 percent over twelve months for the year 2001. With this motivation, the government fixed the price of wheat flour at \$16.50 or less per 50 Kg bag, based on invoices presented by buyers for sales at the end of 2001.

In order to encourage pasta and bread producers to import wheat flour, COMEXI ( International Trade and Investment Council) lowered wheat flour import tariff rates from 20 to 10 percent and temporarily allowed the import of 85,000 metric tons of wheat flour. Lowering the tariff rate for wheat flour brought these tariffs in line with those for wheat which were lowered in 2000 to 10 percent and a tariff rate quota system was abandoned. As of the time of this report, nobody has imported wheat flour because there are no facilities to store flour, and there is no capital to set up a company that may invest in purchasing such flour. The abandonment of the TRQ regime represented a positive development towards greater market liberalization in Ecuador and market-oriented practices. However, the most recent actions represent a step back from market reforms and a return to political-based, non-transparent decisions, which may adversely affect Ecuador's milling industry and result in financial losses.

**Milled Rice**

PSD Table						
Country	Ecuador					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	205	180	200	272	0	250
Beginning Stocks	175	120	135	49	90	78
Milled Production	400	340	400	513	0	490
Rough Production	678	548	678	827	0	790
MILLING RATE (.9999)	5900	6200	5900	6200	0	6200
TOTAL Imports	50	0	50	0	0	0
Jan-Dec Imports	50	0	50	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	625	460	585	562	90	568
TOTAL Exports	100	11	100	74	0	80
Jan-Dec Exports	100	11	100	74	0	80
TOTAL Dom. Consumption	390	400	395	410	0	410
Ending Stocks	135	49	90	78	0	78

TOTAL DISTRIBUTION	625	460	585	562	0	568
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## Production

Winter rains began very late this year. Although, since beginning in February, they have been abnormally abundant, reminding us of the presence of the Nino Phenomenon of 1997. The peak of harvest will not occur in May/June but in June/July with the first harvests not beginning until early April. The abnormal presence of rainfalls has ruined some rice plantation, which will affect the size of the crop. Should the adverse weather conditions continue, winter harvest will likely be less than normal, but this could be offset by the summer crop in October-December, as occurred after the Nino Phenomenon 1998.

Post forecasts a total milled rice production for the MY2002 at 490,000 MT, less than the previous year's revised figure of 513,000 MT for the MY2001. Post has also revised milled rice production for MY2000 from previous 400,000 MT to 340,000 MT, in lieu of new official information for that year. Area harvest has been revised downward for MY2000 from 205,000 hectares to 180,000 hectares, and the harvested area for MY2001 has been increased from 200,000 hectares to 272,000 hectares, with a forecast of 250,000 hectares for MY2002.

Rice production in Ecuador is mainly based in small farms. The average national yield of milled production is 1.9 to 2.0 metric tons per hectare, which is one of the lowest yields in south America compared with Colombia of 2.9 MT/hectare, Peru 3.6 MT/hectare, Venezuela 2.4 MT/hectare. Ecuador's milled rice extraction is estimated to be between 50 to 62 percent with a high percentage of broken rice averaging 15-19 percent.

## Consumption

Ecuador's domestic rice consumption is estimated to be 34,000 MT per month (milled basis) or about 410,000 MT per year, as of the year 2001. A similar level of consumption is forecasted for the upcoming market year 2002. The per capita consumption is in the range of 30 to 33 kilograms per year, as rice is a staple food of all Ecuadorians for the three meals during the day. Consumer prices for milled rice (No. 2, 10 percent broken) are currently set at \$24.50/50 kg. bag, which some farmers argue does not cover production costs.

Historical data shows that prices in real terms of dollars are less than in 1995. As an example, the wholesale price per metric ton in 1995 was \$540.00. By the year 2001, the price per metric ton was \$490.0. There is a developing trend of consuming rice with a brand name, primarily within certain upper economic groups of the population both in Quito and Guayaquil, where rice is sold in packages of 2 kg or 5 kg bags. But the majority of the rice is still marketed without brand name.

## Trade

Since 1990, Ecuador has started exporting rice mainly to Colombia. In 1995, rice was one of the five top agricultural commodities exported by Ecuador. For the last five years, exports to Colombia have represented the main factor affecting prices for the winter crop. Since 1997, rice prices in Ecuador have kept pace with the Colombian demand for rice, i.e., prices do not dampen at levels that harm Ecuadorian rice producers during the winter crop season. However, and in spite of the fact that Colombia is a natural market, some market interest groups in Colombia, not only dealing with rice but also other products such as sugar, have not allowed Ecuador to export rice freely to Colombia.



Ecuador exported only 11,000 MT of milled rice for the MY2000; however, for MY2001 exports to Colombia reached 74,000 MT of milled rice, including the non registered exports through the borders. Exports are forecast to be 80,000 in 2002, explained by the fact that rice growers will take advantage of the prices in Colombia where rice is better priced during the winter crop. Imports have been practically non-existent for the last three years, only 535 MT in MY2001 and 72 MT in MY2000, most from Colombia and Peru. This rice is supposed to be a premium high quality rice.

Export Trade Matrix			
Country	Ecuador		
Commodity	Rice, Milled		
Time period	Jan-Dec	Units: Metric Tons	Jan-Dec
Exports for:	2000		2001
U.S.	0	U.S.	
Others		Others	
Colombia	11,000	Colombia	74,308

Total for Others	11000		74308
Others not Listed			
Grand Total	11000		74308

## Policy

Ecuador is under the Andean Community Countries (CAN) regime, which sets common tariff rates for the countries for some products, among them rice. The ad-valorem tariff rates (CAN nations are exempt ) for milled rice is 20 percent and for paddy rice is 15 percent. Additionally, rice imports originating in countries other than CAN nations are subject to the Andean Price Band System (APBS) which currently charges an additional variable levy of 42 percent, totaling 62 percent ad-valorem CIF value. By April each year, the CAN nation's secretariat fixes the floor and ceiling prices for the APBS, and also every 15 days, fixes the referential prices for the product based on calculations ad-hoc for the product.

The current floor price for rice is US\$319/MT, the ceiling price is US\$387/MT and the referential price US\$237/MT. When the referential price falls between the floor and ceiling prices, the tariff rate which applies for rice imports is 20 percent for milled rice and 15 percent for paddy rice. In the case that referential price is less than the floor price, rice imports are penalized by an additional variable levy, which currently is 42 percent. If the referential price is over the ceiling price, the tariff rate of 20 percent (milled rice) will be reduced, depending how high the price is. This policy makes no competition for rice imports from the U.S.

In Ecuador, rice importation is a very sensitive issue, in consequence every Minister of Agriculture and the government acts protectively. There is a Consulting Committee, consisting of rice producers, Ministry of Agriculture and Ministry of Industries representatives, which decides when, how and how much products will be imported. This Committee acts protectively not allowing rice to be imported from any other than CAN community.

## Corn

PSD Table						
Country	Ecuador					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	300	196	300	180	0	195
Beginning Stocks	75	50	50	135	75	125
Production	400	516	400	400	0	510
TOTAL Mkt. Yr. Imports	200	180	200	240	0	180
Oct-Sep Imports	200	180	200	240	0	180
Oct-Sep Import U.S.	0	137	0	200	0	160

TOTAL SUPPLY	675	746	650	775	75	815
TOTAL Mkt. Yr. Exports	100	71	25	90	0	100
Oct-Sep Exports	100	71	25	90	0	100
Feed Dom. Consumption	450	460	475	470	0	480
TOTAL Dom. Consumption	525	540	550	560	0	570
Ending Stocks	50	135	75	125	0	145
TOTAL DISTRIBUTION	675	746	650	775	0	815

## Production

Corn production in Ecuador will be estimated to be 400,000 MT in MY2001, which includes the southern hemisphere summer crop (October-December, 2001) and the upcoming winter crop (April-July, 2002). Adverse weather conditions during the current winter season, drought during December and January and abundant rainfalls in February and March, may affect planted and harvested areas and yields. For the upcoming MY2002, Post forecasts a recovery of the production to 510,000 MT, bearing in mind that, for the summer season of the year 2002, farmers will compensate for losses of the winter crop by sowing more areas where soil has retained moisture in the summer season. However, this level of production will not reach the production of MY1997 of 613,000 MT, a bumper crop before the Nino Phenomenon.

Post has revised figures for harvested area in MY2000 from 300,000 to 196,000 hectares, and from 300,000 to 180,000 hectares for MY2001. The revisions are due to increased yields per hectare, in turn resulting from the use of better seeds for sowing. Figures on production for the MY2000 have been increased from 400,000 to 516,000 MT, in lieu of a available information for that year. Ecuador is self-sufficient in producing corn, meeting local demand and export to the Andean community nations.

## Consumption

Corn and soybean production depend on the national animal food-poultry and shrimp sectors, which are the principal consumers of these products. The feed meal compound industry in Ecuador currently demands 470,000 MT of corn. Post forecasts a slight increase in demand to 480,000 MT for the upcoming MY2002.

During the period 1995 to 2000, feed meal production increased from 577,000 MT to 1,093,000 MT, and the production of poultry meat from 110,000 MT to 148,000 MT. Egg production also increases, from 65,000 MT to 70,000 MT for the same period. Per capita consumption per year for poultry meat jumped from 10.03 Kg to 15.50 kg, while egg consumption has remained steady at 5.0 kg per capita.

## Trade

Demand for feed meal inputs, including corn, has consistently increased in the past decade. However, local production is unable to satisfy that demand. Further, Ecuador exports corn to Colombia when this country is not producing corn

and prices are high. As a result Ecuador has been a regular corn importer.

Post has preliminary import figures for MY2001 (October 2001/September 2002) of 240,000 MT based on the current disposition of the Consulting Committee for corn, in October 2001. The recommendation of the Consulting Committee was to allow the import of 200,000 MT of corn starting in December and finishing on February 28, 2002, at which time the government made an evaluation of the situation of the supply and demand of corn in the country. According to reliable information, this quantity (200,000 MT) is short, therefore requiring additional imports. In the case that the rainfall continues and the winter crop is delayed, Ecuador will need even more imports in the first half of 2002. Post forecasts lower corn imports MY2002, reaching only 180,000 MT, assuming that weather patterns return to normal. The US market share remains strong with 70 to 80 percent, Argentina is the main competitor as a corn supplier to Ecuador.

Ecuador exports corn to Colombia, mainly in the peak of the winter crop. Preliminary figures for MY2001 are estimated at 90,000 MT in our PS&D table; this includes exports of the upcoming winter crop. Post forecasts a slight increase in exports to Colombia for MY2002. Export figures for MY2000 were revised downward from 100,000 MT to 71,000 MT, in lieu of new official data.

Export Trade Matrix			
Country	Ecuador		
Commodity	Corn		
Time period	Jan-Dec	Units: Metric Tons	Jan-Dec
Exports for:	2000		2001
U.S.	10	U.S.	35
Others		Others	
Colombia	81,398	Colombia	51,516
Total for Others	81398		51516
Others not Listed			
Grand Total	81408		51551

Import Trade Matrix			
Country	Ecuador		
Commodity	Corn		
Time period	Jan-Dec	Units: Metric tons	Jan-Dec
Imports for:	2000		2001
U.S.	150,487	U.S.	87,362
Others		Others	
		Argentina	27,802
Total for Others	0		27802
Others not Listed	0		15,500
Grand Total	150487		130664

## Policy

Corn is one of the commodities subject to the Andean Price Band System (APBS), which means that corn imports are charged with a basic ad-valorem tariff duty, currently placed at 15 percent, plus a variable levy of 28 percent as of today, totaling 43 percent, which is below the tariff accepted by the WTO, 45 percent as of the year 2001. Imports and exports coming from and going to CAN ( Andean Community Nations) countries are exempted from tariff duties. Ecuador agreed to establish TRQs for corn and sorghum imports, as a commitment to the accession into the WTO, guaranteeing a minimum in-quota quantity access at nonrestrictive in-quota tariff rates averaging 25 percent. The current in-quota quantity for year 2001 is 19,678 MT for corn and 12,300 MT for sorghum.

The justification of maintaining the APBS is that the international prices for corn and sorghum are mostly subsidized by producer countries. The APBS is intended to protect local prices and to secure profits for local producers. However, the main problem for Ecuadorian corn farmers is that the sector faces accumulative difficulties such as low corn yields which average 2.0 metric tons per hectare against 5.0 metric tons for Argentina or 7.9 metric tons per hectare in the United States. Additionally, corn farmers are affected by an inconsistent policy of credit for the sector and poorly organized and obsolete local channels of commercialization for the product. All these factors make the corn and related industries inefficient and non competitive.

Prices Table			
Country	Ecuador		
Commodity	Corn		
Prices in	US\$	per uom	Metric Ton
Year	2000	2001	% Change
Jan	145	176	21.38%
Feb	172	175	1.74%
Mar	167	175	4.79%
Apr	172	220	27.91%
May	172	184	6.98%
Jun	176	178	1.14%
Jul	185	155	-16.22%
Aug	161	153	-4.97%
Sep	175	174	-0.57%
Oct	176	179	1.70%
Nov	175	193	10.29%
Dec	165	198	20.00%
Exchange Rate	US Dollars	Local currency/US \$	